

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 17, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: City of Los Angeles

Allocation Amount Requested:

Tax-exempt: \$14,000,000

Project Information:

Name: Winnetka Senior Apartments
Project Address: 20751 Sherman Way
Project City, County, Zip Code: Los Angeles, Los Angeles, 91306

Project Sponsor Information:

Name: Winnetka Senior Apartments, LP (Winnetka Senior Apartments, LLC & PATH Ventures)
Principals: John Huskey, Kasey Burke, Aaron Mandel & George Russo for Winnetka Senior Apartments, LLC; Ellen Evans Agee, Terry Bird, Danielle Moriarty & Stanley Schneider for PATH Ventures
Property Management Company: The John Stewart Company

Project Financing Information:

Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: August 13, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 94, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens/Special Needs

The project will be located on 1.5 acres of land in a suburban residential and commercial neighborhood in the San Fernando Valley area of Los Angeles on Sherman Way near De Soto Avenue. The project will consist of a single four-story elevator-served building housing one-bedroom apartments. All units will be income restricted; sixty-two (62) units will be at 50% AMI and thirty-two (32) units will be at 60% AMI. Sixty-two (62) of the units will be furnished and reserved for homeless seniors who are high utilizers of county hospital and emergency services, with thirty (30) of these units further targeted towards chronically homeless seniors with additional special needs such as mental illness or substance abuse issues. Unit amenities will include central heat/AC, window coverings, carpeting, coat closet, patio/balcony, refrigerator, stove, dishwasher and garbage disposal. The project will have Sixty-four (64) parking spaces with space for a mobile health clinic, a courtyard with water feature, barbecue area, a community room, library, computer/multimedia room, fitness center, laundry room, mail room, kitchen, management and support services offices and security system. Construction is scheduled to begin in October 2014 and be completed by December 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
66% (62 units) restricted to 50% or less of area median income households.
34% (32 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	25,856,608	
Estimated Hard Costs per Unit:	\$	134,043	(\$12,600,000 /94 units)
Estimated per Unit Cost:	\$	275,070	(\$25,856,608 /94 units)
Allocation per Unit:	\$	148,936	(\$14,000,000 /94 units)
Allocation per Restricted Rental Unit:	\$	148,936	(\$14,000,000 /94 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 4,002,432
LIH Tax Credit Equity	\$ 1,293,102	\$ 8,620,680
Direct & Indirect Public Funds	\$ 8,270,000	\$ 12,425,026
Other	\$ 2,293,506	\$ 808,470
Total Sources	\$ 25,856,608	\$ 25,856,608

Uses of Funds:	
Acquisition/Land Purchase	\$ 2,663,200
On & Off Site Costs	\$ 1,650,000
Hard Construction Costs	\$ 10,950,000
Architect & Engineering Fees	\$ 1,100,000
Contractor Overhead & Profit	\$ 1,764,000
Developer Fee	\$ 2,000,000
Cost of Issuance	\$ 250,000
Capitalized Interest	\$ 485,100
Other Soft Costs (Marketing, etc.)	\$ 4,994,308
Total Uses	\$ 25,856,608

Description of Financial Structure and Bond Issuance:

The construction bonds will be purchased as a private placement transaction with Citibank, NA in the amount of \$14,000,000 for a term of 21 months. The construction loan will be interest-only at a variable rate equal to SIFMA Municipal Swap Index plus a spread of 2.22%, including a 5 bps servicing fee, for an all-in rate of 2.25%. The construction loan proceeds will be escrowed with a trustee and will be drawn-down on a monthly basis. The permanent financing will consist of two tranches. Tranche A, totaling \$2,374,902, will be the first position debt amortized over 35 years with a 35 year term. Tranche B, totaling \$1,627,530, will leverage a DHS subsidy, will be second position on title and will be amortized over 15 years with a 15 year term. The permanent phase interest rate will be a fixed rate equal to the sum of 17 year maturity AAA bond rates plus a spread of 2.69% for years 1-15 and a 9% fixed rate for years 15-35.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

84.6 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,000,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	9.6
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	84.6

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.